

## **EXPRESS DELIVERY SERVICES ROUNDTABLE**

**MODERATOR:** Susan M. Presti, Air Courier Conference of America

**PANELISTS:** T. James Min II, FedEx Express Corp.  
Andrew W. Shoyer, Sidley Austin Brown & Wood LLP  
(Representing United Parcel Service - UPS)  
Anthony F. Alverno, United States Postal Service

**RAPPORTEUR:** M. Dennis Marvich, U.S. Department of Transportation

Sue Presti of the Air Courier Conference of America (ACCA) introduced the roundtable panelists and rapporteur and set the stage for the discussion. Ms. Presti emphasized the importance of the Express Delivery Services (EDS) industry (e.g., a 2004 U.S. International Trade Commission Study of EDS showed the U.S. EDS industry employs over 519, 000 people and generates annual revenues exceeding \$50 billion) and the important work that needs to be done in the Doha Round, beginning with defining EDS as a separate industry. Ms. Presti commented on the membership of ACCA and noted that ACCA's membership includes both large, integrated EDS providers and smaller, niche EDS providers.

James Min began his presentation on the trade facilitation objectives of the EDS industry with an anecdote about a discussion he had on trade facilitation with a trade minister from an African nation. Mr. Min said that as they spoke, he was struck by their differing perspectives on the subject. Mr. Min thought of trade facilitation in terms of being better able to move goods across the border. The trade minister, on the other hand, thought of it in terms of being better able to move his nation's agricultural goods through their entire journey from the hinterland to the world market. Mr. Min then addressed the treatment of trade facilitation in the World Trade Organization's (WTO's) 2004 "July Package." He noted that the treatment of trade facilitation in the July Package was comprehensive and called for expedited movement, release, and clearance of goods, including goods in transit. Mr. Min mentioned an organization, the Trade Facilitation Alliance, which was being set up to get companies around the world interested in and motivated regarding trade facilitation. Mr. Min said that UPS and FedEx are members. Mr. Min then said that a main theme to be drawn from his presentation was how for EDS, trade facilitation at the border and market access for services go hand in hand. He added that both are needed for effective EDS liberalization. Ms. Presti joined Mr. Min in these points. Mr. Min finished his presentation by turning to the objectives of the EDS industry, apart from trade facilitation, in the Doha Round. He identified them to be: 1) getting a WTO definition of EDS; 2) (hand in hand with 1) getting EDS classified correctly in the WTO; and 3) preventing worldwide any rollback of market access that EDS currently has. Mr. Min mentioned finally that the EDS industry is very concerned with equity restrictions on ground transportation in foreign countries.

Andy Shoyer began his presentation on EDS industry objectives in the Doha round with an overview of General Agreement on Trade in Services (GATS) objectives. He said that industry first wants to get EDS and logistics services properly classified so that meaningful commitments can be made. That done, Mr. Shoyer said the industry wanted to secure full GATS Market Access (MA) and National Treatment (NT) commitments from as many countries as possible in order to eliminate barriers to trade and create a level playing field between U.S. and national suppliers. He noted, however, that just getting full GATS MA and NT commitments from as many countries as possible will not be enough because there is also a need to address cross subsidization. Mr. Shoyer then turned to existing commitments in the GATS. He said that existing GATS postal and courier services commitments do not do justice to EDS. He recalled that they were, as well, not extensive with only 6 countries scheduling postal commitments and 33 scheduling courier commitments. Mr. Shoyer discussed the fact that many countries already give good treatment to EDS services in their markets, but do not bind this treatment. This, he said, creates a classic “binding gap,” which is a situation where a level of liberalization exists in a market but there is no governmental commitment to continue it. Mr. Shoyer said that denial of essential facilities to EDS providers in other countries, particularly the ability to create and use wireless communication systems that are used to track shipments, severely hampered U.S. providers of EDS services. He cited customs procedures in this regard, as well. Regarding the potential benefits of EDS to developing countries, Mr. Shoyer said that internal logistics and transport costs in China are estimated to make up as much as 40 percent of the price of a good delivered to the border. He said also that logistics expenditures in China in 2001 were about 20 percent of GDP, or twice what they represent in U.S. GDP. Mr. Shoyer ended his remarks by briefly discussing WTO cross-subsidization disciplines in telecommunications that might prove relevant for such disciplines in EDS. Mr. Shoyer mentioned the series of commitments on the provision of basic telecommunications services that were entered into in 1998 that, in the form of a reference paper, supplemented market access commitments made by countries and required them to ensure against anti-competitive practices, including cross-subsidization.

Tony Alverno began his presentation on U.S. Postal Service perspectives on trade liberalization by pointing out some of the differences between the U.S. Postal Service and private providers. Mr. Alverno said the U.S. Postal Service: 1) is a governmental entity; 2) must fulfill a broad Universal Service Obligation (USO), which means providing service to all, even if doing so is unprofitable (e.g., the U.S. Postal Service must deliver to Alaska, where there are no roads); 3) must provide six-day per week delivery to most addresses; 4) must continue serving unprofitable operations; and 5) must pay higher than market rates that are determined by the U.S. Department of Transportation for the transportation of international mail by U.S. air carriers. Mr. Alverno noted that while these differences are legislatively determined and thus reflect society’s interests, they also add costs to the provision of postal service. Mr. Alverno next turned to some of the common interests between the U.S. Postal Service and private providers. He said that both the U.S. Postal Service and private providers participate in certain segments of express delivery markets. He also mentioned that synergistic relationships have grown up between the U.S. Postal Service and private EDS firms and gave as examples: the

placement of FedEx drop boxes in U.S. Postal Service lobbies; U.S. Postal Service contracts with FedEx for air transportation and as an alliance partner in providing Global Express Guaranteed, an international expedited business service offered by the Postal Service; and the use of the U.S. Postal Service Parcel Select program by integrators and logistics companies to complement their product offerings. Regarding the Doha WTO negotiations, Mr. Alverno stressed the point that the U.S. Postal Service has approached these negotiations with caution in order to insure that U.S. trade positions and U.S. domestic postal policies remain consistent. He said the U.S. Postal Service believes that trade negotiators should not endorse policies that would require changes in domestic laws or conflict with laws, policies, and practices that are currently in place at the national level. Mr. Alverno illustrated this point by referring to the model schedule approach for scheduling EDS commitments. The U.S. Postal Service can support much of what the U.S. EDS industry wishes to accomplish in a model schedule, but any model schedule would need to explicitly exclude universal postal services from the scope of the definition. Mr. Alverno ended his remarks by saying that the Postal Service, like the EDS industry, has a fundamental interest in the definition of EDS, particularly whether a narrow definition of EDS is adopted or is part of a wider definition that includes postal and courier services.

#### Questions and Answers

A brief question and answer period followed the roundtable presentations. Questions and answers addressed the following topics: 1) the privatization of Japan Post and the need to prevent cross-subsidization, and the primary U.S. Government interest that this privatization not be done in a manner that unfairly affects competition; 2) an observation that it could be useful to establish a liaison between WTO Trade Facilitation efforts, which are taking place under the General Agreement on Tariffs and Trade (GATT), and the GATS; 3) Article IX of the Chicago Convention, which addresses trade facilitation in air services, and the fact that almost all air services are excluded from the GATS by the GATS Annex on Air Services; and 4) the U.S. Postal Service's USO and the facts that the U.S. USO contains parcel post and the "reserved area" in the United States is limited to letters. It was mentioned regarding this last topic that it is the desire of the EDS industry, as part of GATS negotiations, to properly define and categorize these various areas so that the necessary separation is maintained.